

EXPORT

America

April 2003

Volume 4 Number 4

<http://exportamerica.doc.gov>

THE FEDERAL SOURCE FOR YOUR GLOBAL BUSINESS NEEDS

Trade Opportunities in Australasia

Doing Business in the Land of Oz and Kiwi



INSIDE:

Trade Never Smelled So Sweet

Reducing the Risk of Harmful Pesticides

Financial Assistance for Exporters



Sponsored by
American Management Association
and the National Leadership Forum on Global Challenges

Business Opportunities
and Pitfalls in Today's

Russia and Central Asia

Risk Assessments from American Diplomatic & Intelligence Professionals

This special AMA Current Issues Forum will dramatically increase your knowledge and sophistication about the business challenges and opportunities in Russia and Central Asia. It features experts selected by the National Leadership Forum on Global Challenges, a nonprofit organization that draws on seasoned professionals who have lived and worked overseas.

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AMA Executive Conference
Center, New York

Mtg. #3891-BAG-001

September 19, 2003
AMA Executive Conference
Center, Chicago

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*Note: Teams of 3 or more receive
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Expert speakers

Dr. Anders Aslund, senior economist, Carnegie Endowment for International Peace, former economic adviser to Russian President Boris Yeltsin, and recognized authority, author, and lecturer on the Russian economy

Dr. Hugh DeSantis, President, Globe Strat, Inc; previously Professor of National Security, National War College; advisor to former Secretary of State, George Shultz, as member of Policy Planning Staff

Professor Melvin A. Goodman, Professor of International Security, National War College; senior fellow, Center for International Policy; former senior Soviet analyst, Central Intelligence Agency

Professor Martha Olcott, leading authority on Central Asia in the United States, senior scholar at the Brookings Institution, consultant to the Department of State and the Central Intelligence Agency, Member of the Council on Foreign Relations

**There are a number of economies
in this region that have strong
attractions for American
investors and traders.**

Russia has undergone remarkable political and economic change under the leadership of President Vladimir Putin. Navigating in uncharted economic waters, the Russians, nevertheless, have managed to find a path around some major political obstacles in order to create opportunities for Western investors and business leaders. Privatization has taken place at a rapid pace, and inflation has been put under control. Some similarities and differences important for the foreign investor exist in the Central Asian countries.

Why You Should Attend:

- Seize the opportunity to hear some of the best informed experts in the country on Russia and Central Asia.
- Apply what you learn to your firm's day-to-day operations and plans in Russia and Central Asia.
- Gain an understanding of what is likely to happen in Russia and Central Asia over the next three to ten years.
- Interact with speakers and attendees to share experiences and ideas

Gain an insider's view of:

- President Vladimir Putin and why he is making a difference. The Putin-Bush relationship will be brought up-to-date and the importance of the United States to Russian planning will be highlighted.
- The attitudes of the governments of Russia and the Central Asian countries toward foreign direct investment and traders, practical problems in doing business in each country, and the do's and don'ts based on the experience of many foreign investors.
- Where are the Russian and Central Asian economies headed and why, including how those governments are coping with previously state-owned enterprises, banks and newly emerging entrepreneurs.
- The complicated, important and changing relations between Washington and Moscow, Almaty, Bishkek, Dushanbe, Tashkent and Ashgabat and why these matter to U.S. corporations.

EXPORT America

THE FEDERAL SOURCE FOR YOUR GLOBAL BUSINESS NEEDS

April 2003 Volume 4 Number 4 <http://exportamerica.doc.gov>

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Prepared with the assistance of the U.S. Commercial Service

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Published monthly by the
U.S. Department of Commerce,
Washington, D.C.

Annual subscription rate is \$58.
All subscription inquiries should
be sent to the Government Printing
Office, Superintendent
of Documents, Mail Stop: SSOM,
Washington, DC 20401.
Toll free (866) 512-1800
<http://bookstore.gpo.gov>

Other inquiries should be sent to the
U.S. Department of Commerce,
Room 3414,
1401 Constitution Ave., NW
Washington, DC 20230.
E-mail: export_america@ita.doc.gov

First-class postage paid at Washington, D.C.

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Australia and New Zealand photos courtesy of Tourism New Zealand and Eva A. Schulte.

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hat comes to mind when you hear people talk about Australia and New Zealand?

Tourism, agriculture, beautiful scenery, exotic marsupials, and wonderful beaches are probably some that immediately come to mind. Australians and Kiwis, like Americans, love sports. However, sports of choice in Australasia may seem unusual to an American audience; cricket, rugby, and Australian rules football are popular while in the United States baseball, basketball, and football dominate.

While our choice of sports may be different, our trade and economic objectives are quite similar. Trade between the United States and these two countries accounts for nearly 18 percent of total U.S. exports and the United States enjoys a trade surplus with both countries. Machinery and equipment dominate exports from the United States with major items including aircraft and parts, data processing machines, turbo-jets, telephone equipment, medical equipment, and motor vehicles.

Shared values underpin the close relationship between both governmental and private sector contacts. As technology transforms global relationships, boundaries controlling investment and trade flows become less important. A shared commitment to free trade means these three countries cooperate closely in trade fora such as the World Trade Organization,

Asia-Pacific Economic Cooperation, and the Organization for Economic Co-Operation and Development.

All of this cooperation means that the markets "down-under" are attractive and receptive places for U.S. firms to do business. We share a commonality of history, business practices, and familiarity with American brands and quality products. To seal the deal, in March of this year, the U.S. and Australia formally launched negotiations to create a free trade agreement. And so it is fitting for our feature this month to focus on the trade opportunities in Australia and New Zealand.

Other articles this month will help you find financing for exports to Australasia and elsewhere, as well as locate appropriate and flexible shipping options.

Looking ahead to May, our feature will focus on the global construction industry, specifically on engineering services, building materials, and construction equipment. May is World Trade Week and events celebrating global trade are planned for your region. Check with your local Export Assistance Center for details (see the back cover for a complete list).

Cory Churches

Cory Churches
Editor



GLOBAL NEWS LINE

HONG KONG

Hong Kong's cosmetic and toiletries market had an estimated value of \$493 million in 2001. With little domestic production of cosmetics and toiletries, Hong Kong relies on imports from China, Japan, the United States, France, Singapore, Malaysia, and Taiwan. Industry sources expect import growth to continue in the coming years despite the economic slowdown in Hong Kong. The constant demand from mainland Chinese tourists will also drive the growth of imported cosmetics and toiletries.

The best prospects in Hong Kong will be in hair coloring products, skin-whitening products, nail products, color cosmetics, permanent eye makeup, and skin care products for professional beauty salons. U.S. skin care and hair care products have a reputation for quality, innovation, competitive prices, stringent quality control, and safety. While Japan is currently the market leader in color cosmetics, France is the leading perfume supplier to Hong Kong.

There are no import tariffs or product registration requirements on cosmetics and toiletries in Hong Kong. Imports from the United States fell 12 percent to \$101 million in 2001, yet the United States remained Hong Kong's third-largest supplier. With U.S. and third-country companies increasingly manufacturing their cosmetics and toiletries in China and other low-cost Asian countries, imports from the United States should continue to decline in 2002 and onwards.

JAPAN

The Ministry of Public Management, Home Affairs, and Posts and Telecommunications (MPHPT) announced that as of the end of 2002, there were 7.8 million broadband home users in Japan. Triggered

by cutthroat competition and rock-bottom prices, ADSL subscribers almost quadrupled in 2002, from 1.52 million in December 2001 to 5.66 million in December 2002. This rapid expansion of broadband networking is occurring simultaneously in both households and enterprises.

Because of Japan's stagnant economy, many Japanese companies reduced capital investment from the previous year's level, and telecommunications equipment investment was no exception. The MPHPT announced in August 2002 that the total amount of planned investment on facilities by telecommunications carriers in 2002 would contract 10 percent over the previous year to \$23.8 billion. The Japanese telecommunications market in general shows signs of modest expansion in 2003.

SPAIN

As one of the world's 10 largest economies and one of the fastest-growing major industrialized nations, Spain offers many U.S. companies the ideal market for potential growth in the waste-to-energy sector. In recent years, Spain has experienced important qualitative changes in both the energy

and waste sectors due to significant socioeconomic changes and its membership in the European Union.

Spain relies greatly on imported energy to meet the needs of more than 40 million residents. Since 1975, Spain has doubled its energy use—approximately 1.4 percent of the world's total energy usage. As the Spanish population continues to grow, these energy requirements will continue to increase. Currently, Spain has limited domestic energy sources, thus requiring the importation of resources that prove costly to Spain because of transportation, storage, waste, and other incidental risks, such as times of economic instability beyond Spain's control.

Waste-to-energy is a viable solution for Spain's future energy and environmental needs. Though significant waste-to-energy developments have occurred in Spain within the last years, these do not meet the tremendous need in Spain for cleaner, more reliable and renewable power. As such, there are many opportunities available for U.S. companies specializing in waste-to-energy technology, equipment, and services to meet Spain's energy and environmental needs.

SWITZERLAND

Switzerland is located at the crossroads of Western Europe and Central Europe. It lies at the heart of one of the world's leading biotechnology regions, which also encompasses the neighboring parts of France, Germany, and Italy. Anchored by world-class research of home-based multinationals Novartis, Roche, Serono, and Syngenta, the Swiss biotech industry is among the largest and most diversified in Europe. This enviable position is reinforced by cutting-edge research carried out in a large and growing network of small and medium-sized biotech companies throughout the country. They all





enjoy popular backing; in 1998, the Swiss electorate voted not to curb but rather to encourage research in genetic engineering. This encouragement for further groundbreaking work makes Switzerland's bright future in biotechnology look more assured than ever.

With overall expenditure of \$7 billion, Switzerland has one of the world's highest levels of research expenditure relative to GDP (2.9 percent). The private sector finances more than two-thirds of Swiss research. Switzerland is a leading research nation also in terms of output: it produces more scientific publications per capita than any other country in the world.

Biotechnology is tailored to Switzerland, because this technology is based on renewable resources, acquired knowledge, and innovation. Having scarce natural resources, an extensive government priority program to encourage biotechnology was created because of Switzerland's commitment to further investment in biotechnology. In mid-2001, a total of 48 drugs, five food products, and two laboratory enzymes were authorized for production.

These and other positive developments create several opportunities for U.S. biotech companies that would like to form strategic alliances, develop new markets, or establish bases in Europe.

SWEDEN

In 2001, the Swedish market for orthopedic equipment was estimated at \$50 million. Total imports were estimated at \$48 million, while exports amounted to \$30 million. Domestic Swedish production was estimated at \$33 million. U.S. suppliers dominate the import market (22 percent), followed by the United Kingdom (19 percent) and Germany (15 percent).

Trade analysts believe that the sales of orthopedic equipment will show a steady increase in the future as the population grows older and puts increased demand on orthopedic surgery in the form of knee as well as hip replacements.

U.S. products are seen as easy to use and cost-effective and therefore will find the Swedish market receptive to high-quality equipment.

POLAND

The demand for casting products, such as radiators, bathtubs, pipes, fittings, appliances, and auto parts will grow in Poland over the next few years as businesses and industries requiring casting products—mostly automotive and construction firms—continue to develop. Moreover, the niche for casting products made in Central European countries will continue to grow as Western European foundries focus on more technologically sophisticated products.

Poland is the sixth-largest producer of steel castings in Europe. Small and medium-sized enterprises constitute the majority of Poland's casting industry. There are over 500 foundries in Poland. Two hundred make iron and steel castings, and more than 300 make non-ferrous castings. These firms are scattered across Poland, and usually act as suppliers to larger manufacturing companies. Polish casting products are exported to Germany, Italy, France, Denmark, Sweden, the United Kingdom, and the Netherlands.

The Polish foundry sector is diversified—both technologically and financially. There are some very modern foundry facilities in Poland including Teksid Polska Odlewnie Zeliwa, which produces 70 percent of Poland's ductile cast iron, and Centrozap. However, Poland still has many aging foundries whose financial situation is bleak. Many smaller Polish casting companies are having difficulty maintaining a foothold in the market.

NEED MORE DETAIL?

Ask a commercial officer at one of the Department of Commerce posts located around the globe. Contact information, including phone, fax and e-mail, is available by calling the Trade Information Center at (800) USA-TRAD(E).

■ Reducing the Risk of Harmful Pesticides

New Technology Wins Export Markets

by Inge McNeese

U.S. Small Business Administration

Most pest control programs have a problem: They put too much of a particular chemical into the environment, and much of it is spread without being effective. Residues can be dangerous to humans and toxic for animals. The runoff can become problematic for water quality. The solution? Integrated pest management (IPM), a combination of chemical, biological, and cultivation techniques that minimizes negative effects.

A company based in Portland, Ore., which has taken its name from this method, IPM Tech, has created just such a line of products. This new method is easy to use, effective, and environmentally benign. Its use is growing in agriculture and forestry. It has also attracted attention abroad, and exports are spreading the technology to Australia, South Africa, and most recently Belgium. "These innovative products will sell themselves," said Philipp Kirsch, president and founder of IPM Tech. "Their potency, cost-effectiveness, and environmental benefits will make them the most competitive solution to agriculture's and forestry's pesky problems." After graduating from the University of Queensland with a degree in entomology, Kirsch's career centered on the use of pheromones for insect monitoring and control in the worldwide agricultural pest control market.

The way to detect pests and determine the optimum timing for sprays is through the use of pheromone traps. Pheromones are chemical substances secreted by animals that influence the behavior of other animals of the same species. They are usually wind-borne, but may be placed on soil, vegetation, or various items. Once the structure of the behavioral chemical is determined, it is produced synthetically and used for a range of management purposes. A lure is saturated with synthetic pheromones. The lure emits the synthetic pheromones at a predetermined level and rate for a specified period. The lure is placed in a trap and set up

in a specified manner and location, depending on the habits of the insect. The insect's behavior, size, population level, and the user's bio-monitoring objectives determine the use of a bucket or sticky trap.

■ CREATIVE SOLUTIONS

The secret of IPM Tech's success is combining pheromones of specific insects with a pesticide in a blend that attracts and kills the target pest. The pheromones, which are synthesized versions of the sex hormone produced by the female of the species, attract the male insect to the poison that is placed in a concentrated droplet on



Philipp Kirsch, president and founder of IPM Tech, shows off not only his key products but the diversity of markets where his products are used.

Photo courtesy of IPM Tech.

a tree trunk. When this method is applied on an acre of apple trees, only about three and a half to five grams of insecticide per treatment is needed. Even with three applications per growing season, only a maximum of 0.5 ounce per acre is necessary to control the pest. In comparison with the 2.75 pounds of pesticide per application in traditional spraying techniques (which require typically six applications per season), the difference between these two methods becomes clear. Imagine a 12 oz. soda can next to a 50 gallon drum. That is the difference between traditional pesticide usage and IPM Tech's.

A little-known fact is that less than 1 percent of the insecticide in a traditional spray application actually hits its target, which makes IPM's LastCall™ a groundbreaking pest control method. It is superior in eliminating chemical runoff that can contaminate the groundwater, since such small amounts are used. As the application is targeted, it is more effective and at the same time more cost-effective. In field trials the attract-and-kill method has demonstrated a 300 percent greater kill rate, proving that the technique developed by IPM Tech outperforms traditional spraying by a wide margin.

FINANCIAL RESOURCES

This type of research and development does not come cheap, and the personal investment by IPM Tech's owner Philipp Kirsch has been enhanced by the federal government's research grants in support of new technology. "IPM Tech has been able to develop these innovative techniques through the assistance of many federal grants," said Kirsch, who is a well-known scientist and started the business in 1994.

The company's success in attracting research and development grants through Small Business Innovative Research Program has brought awards of proposals from several federal agencies, such as the U.S. Department of Agriculture, National Institutes

of Health, and U.S. Department of Defense. Without these grants, the long lead times for bringing new products to market might have left the business cash starved and unable to weather the low revenue years.

Sales growth has been boosted by exports as IPM Tech's products find overseas markets. Since 1997, the Portland U.S. Export Assistance Center has been the "one-stop shop" for exporting for IPM Tech, said Scott Goddin, director of the center. IPM Tech developed its export savvy via Commercial Service industry sector reports on New Zealand, South Africa, the Netherlands, and Canada. Commercial Service trade specialists also helped with regulatory issues and referral to Foreign Agricultural Service staff when needed.

Financed with the Small Business Administration's Export Working Capital Program (see article on pages 32-33), exports are a profitable part of the company's sales now. The most substantial export so far, a large contract from the Belgian Ministry of Forestry for traps to combat an outbreak of a non-native bark beetle, would have exceeded IPM Tech's financial capacity. "The SBA program has come to our rescue twice," said Tom Noyes, a consultant with the company. "Our first major transaction with South Africa could not have happened without the assistance of the SBA, and now the Export Working Capital Program has again provided us with extraordinary support."

Exports to 14 countries now are just the beginning, said Kirsch, as integrated pest management products continue to draw the attention of world markets. ■

Oregon's Sustainability Forum

May 29-31, 2003

Set in Portland, Ore., the 2003 Sustainability Forum will be a landmark event for those interested in sustainable economic development. Presented collaboratively by 45 non-profit organizations and government agencies, the forum offers 130 presentations, panels, and workshops over three days.

As a major annual event of Sustainable Northwest, the forum is also becoming a regional hub for an emerging "green" industry sector. Where the forum is regional, the International Sustainable Development Foundation, also headquartered in Portland, has attracted attention to the Pacific Northwest model and its best practices from outside the region and abroad. Interest in learning about new solutions has been particularly high in Asian countries that are searching for solutions to their environmental problems. Playing the role of matchmaker for visiting delegations, the foundation is laying the groundwork for future exports of green technologies and related services from U.S. companies in this emerging industry sector.

Trade Never Smelled So Sweet

Colombian Flowers Make Bouquet Bucks

by Julie Anglin

Office of Latin America, Market Access and Compliance

Colombians export a crop with a major U.S. market share, a good profit margin, and some addictive qualities. That *licit* crop—fresh cut flowers—is a shining example of the hard work that Colombians are doing to combat the “drugs and thugs” image that so plagues their country in the international business community. By taking advantage of recently expanded trade preferences with the United States, Colombia hopes to expand its economy and to remind us all that there is still some good news about the Colombian market.

Colombia's flower trade has blossomed out of the Andean Trade Preference Act (ATPA) of 1991, renewed and expanded by the United States' Trade Act of 2002. The ATPA is a U.S. trade program that provides duty-free access to the U.S. market for more than 6,000 products from Colombia, Bolivia, Ecuador, and Peru. These four Andean countries are the source of the coca plants from which most of the world's cocaine is produced, and they are major transit areas for cocaine. The goal of the ATPA is to promote the development of sustainable alternatives to drug crop production by offering legal Andean products broader access to the U.S. market.

The flower trade has emerged as a globalization success story—arguably the most successful alternative to Colombia's violent drug trade. In a little over three decades, Colombia has become the second-largest exporter of flowers in the world, behind

the Netherlands. Colombia's flower exporters boast annual sales of around \$630 million worldwide. And at least 65 percent of those flowers end up in the hands of U.S. consumers. In fact, an estimated two of every three roses sold here for Mother's Day originated in Colombia. U.S. market share is even higher for Colombian chrysanthemums (89 percent) and carnations (96 percent).

A mere three-hour flight from Miami, Colombia sends as many as 35 flower-packed planes a day to the United States, especially during the frenzied days leading up to Valentine's Day and Mother's Day. And Colombian exporters have learned how to please a wide array of international tastes. They ship partially bloomed flowers to Americans, tightly closed buds to the Japanese, and wide-open flowers to Russians.

A MUTUAL SUCCESS STORY

From an employment perspective, the flower trade is a clear “win-win” for the United States and Colombia. Many Colombian people have found the key to their welfare in the flower industry. According to Colombia's association of flower exporters, Asocolflores, the industry creates 83,300 direct jobs and 75,000 indirect jobs, making its concentration of employees per hectare the highest in Colombia's agricultural sector. And a significant number of workers in the United States, approximately 150,000, depend on Colombian flowers for their livelihood. The importation of Colombian flowers generates significant employment for flower shops, supermarkets, importers, airlines, and trucking companies. Suppliers also benefit, as flower growers buy plastic, cardboard, rubber, wood, agricultural chemicals, transportation,



Assorted bouquets have become one of Colombia's greatest fresh cut flower exports.

Photo courtesy of Asocolflores.

and other services directly connected with their activities.

Success has not been without controversy, as labor and environmental groups have accused Colombia's flower industry of endangering its workers. In response, Asocolflores has developed in recent years an aggressive social and environmental program, Florverde®, that has emerged as a model for local enterprise. Association members, who account for 85 percent of Colombia's flower exporters, voluntarily follow an environmental code that includes recycling, reduced pesticide use, and water conservation. They provide their workers with child care, education, and housing benefits that go beyond government mandates. And in recognition of the fact that a majority—as much as two-thirds—of the industry's workers are women, Colombian flower growers are pursuing development programs that reflect the needs of female laborers who are often heads of household.

NOT JUST ROSES AND DAISIES

In addition to cut flowers, Colombian pigments and plastics have been big winners under the ATPA. While coca production continues to be a serious problem, ATPA trade preferences have helped strengthen Colombia's macroeconomic performance and have provided jobs for workers who might otherwise have participated in illicit coca cultivation. According to the Colombian Ministry of Foreign Trade, between 1992 and 1999, the ATPA generated a total of \$1.2 billion worth of output and more than 140,000 direct jobs in Colombia. And benefits added in 2002 hold further promise for Colombia, including tariff preferences for apparel, petroleum, leather products, and footwear.

Beyond the successful flower trade generated by the ATPA program, what else does the Colombian market have to offer? According to 2002 U.S. Census Bureau figures, Colombia ranks as the 29th market worldwide



Photo courtesy of Asocolflores.

Sixty-five percent of Colombia's flower industry work force is composed of women. Here two of them nurse young carnations in a greenhouse.

for United States exports, and the fourth in Latin America, after Mexico, Brazil, and Venezuela. However, with the recent economic and political upheavals throughout the continent, Colombia is by comparison more stable in political and economic terms than some of its neighbors.

Historically, the United States is Colombia's largest trading partner. U.S. exports to Colombia in 2002 amounted to \$3.6 billion, largely in computers, aircraft, machinery, and cereals. Colombia sold \$4.6 billion in goods to the United States in 2002, notably coal and oil, coffee, cut flowers, and clothing. U.S. foreign direct investment in Colombia amounts to \$5.7 billion and is concentrated largely in the energy, chemical and pharmaceuticals, petroleum, and telecommunications sectors.

Because of its reputation for guerilla conflict, kidnapping, and drug trade, most American companies are not initially inclined to consider doing business in Colombia, especially firms looking for short-term results. At the same time, many savvy global companies clearly understand the strategic potential of the country and are well established in Colombia. Despite the obvious risks, Colombia boasts

a broad, rich mineral and agricultural resource base; educated, skilled workers; a legal, regulatory, business, and physical infrastructure conducive to productive business activity; a modernizing manufacturing and consumer economy; and a long history of economic growth in an essentially democratic political system.

All things considered, Colombia is an attractive market with a tapestry of demographic, geographic, and cultural advantages. The country is strategically located at the northwest corner of South America, with close, easy access to the southern ports of the United States. With coasts on both the Caribbean and Pacific, it straddles the Andes to the Amazon. Colombians are an educated, urbanized people with over 70 percent of the 40.2 million inhabitants living in towns and cities.

As the Western Hemisphere draws closer together with the negotiation and completion of new trade agreements such as the Free Trade Area of the Americas and the U.S.–Central American Free Trade Agreement, more success stories patterned after the success of Colombia are sure to emerge. ■



Switzerland

A Commercial Crossroads of Europe

by Kelly Parsons

Office of the European Union and Regional Affairs, Market Access and Compliance

Surrounded on all sides by members of the European Union, Switzerland and its tiny neighbor, Liechtenstein, remain the sole Western European countries that have not joined the union.

Switzerland remains proudly independent and neutral: in a 2001 referendum, its citizens voted down a proposal put forth by the Swiss government to even begin a national discussion on EU accession. Yet the country's history of self-reliance has not kept it from the benefits of European integration.

Switzerland has become economically intertwined with its neighbors, despite its long tradition of standing alone. In September 2002, it joined the United Nations, and, along with Liechtenstein, Iceland, and Norway, is a member of the European Free Trade Association. Switzerland has agreements with the European Union that guarantee it many of the same economic advantages and lowered barriers to trade that EU members enjoy. Switzerland is also a key supporter of the United States on a number of political and economic issues, particularly matters within the World Trade Organization, and it serves as a host country to the WTO and several other international bodies. The United States and Switzerland have strong bilateral ties.

FACTS AND FIGURES

Total area: 41,290 square km (a bit less than twice the size of New Jersey)

Population: 7.3 million

GDP: \$306 billion (2003 forecast)

GDP growth: 2.8% (2003 forecast)

Inflation: 2.6% (2003 forecast)

GDP by sector: services 68%, industry 29%, agriculture 3%

Main industries: machinery, chemicals, watches, textiles, precision instruments

Currency: Swiss franc

Exports: machinery, chemicals, metals, watches, agricultural products

Imports: machinery, chemicals, vehicles, metals, agricultural products, textiles

Free trade agreements/membership: European Free Trade Association (EFTA), European Economic Area (EEA)

Official languages: German 64%, French 19.2%, Italian 7.6%. Many Swiss speak English.

Sources: CIA, EIU.

In January 2003, U.S. Commerce Secretary Donald Evans participated in the U.S.-Swiss Joint Economic Commission with his Swiss counterpart and a panel of leaders from the U.S. and Swiss business community, to discuss restoring investor confidence through corporate governance and accountability.

AN OPEN MARKET PARTNER

Switzerland's history of staunch independence pertains not only to its sovereignty but also to its citizens. The Swiss Federation includes 26 cantons with considerable local power, making for a rather decentralized national government that imposes less of the restrictive regulation on business experienced elsewhere in Europe. Switzerland has liberal trade and investment policies and a conservative fiscal policy.

The Swiss legal system is highly developed, commercial law is well defined, and solid laws and policies protect investments. The Swiss franc is one of the world's soundest currencies, and the country is known for its high standard of banking and financial services. The Swiss franc is the sixth most-traded currency in the world.

U.S. firms exporting to Switzerland experience relatively few problems or trade barriers. In fact, U.S. trade with Switzerland totals close to \$20 billion—nearly as high as with Italy or Spain, countries with significantly larger populations. The United States ranks fourth as a supplier of Switzerland's annual \$75 billion in imports, and first as a non-EU trading partner. More than 600 U.S. firms have offices in Switzerland, and Swiss



Photo courtesy of swiss-image.ch.

Main street in Appenzell, decorated with flags and banners.

firms in the United States employ approximately 400,000 people.

DISTINGUISHED TASTES, KNOWLEDGEABLE CUSTOMERS

The Swiss are well educated, affluent, and international, with immigrants accounting for one-fifth of the population. Most Swiss in the business community speak at least two languages, and many speak English. Switzerland

TOP U.S. EXPORTS TO SWITZERLAND, 2002

Precious stones, metals	\$2.7
Machinery	\$0.9
Optical, medical equipment	\$0.7
Art and antiques	\$0.6
Pharmaceuticals	\$0.5
Albumins, modified starch, glue	\$0.3
Aircraft	\$0.3
Electrical machinery	\$0.3
(in billions of dollars)	

boasts a highly skilled and motivated work force, and its laws provide for flexibility in the labor market. Switzerland enjoys one of the world's highest qualities of life, and the country has one of the highest concentrations in the world of computer and Internet usage per capita. Swiss citizens are highly literate and are covered by national health care. All of these qualities make Switzerland an excellent test market for businesses hoping to introduce products into Europe. These factors, along with a business-friendly legal environment, explain why Switzerland has attracted numerous U.S. companies in recent years.

As a prosperous, highly developed Western democracy, Switzerland's business customs and practices are similar to those of other northern European countries. While some American businesspeople may find their Swiss counterparts somewhat more formal, business in Switzerland is similar to that in the United States.

Official Holidays, 2003

January 1

New Year's Day

April 18

Good Friday

April 21

Easter Monday

May 1

Labor Day

May 29

Ascension

June 9

Whitmonday

August 1

Swiss National Day

September 11

Geneva Thanksgiving

December 25

Christmas

December 31

New Year's Eve





Punctuality, particularly in German-speaking areas, is highly important. Allowing ample lead time in setting up business appointments is highly encouraged, and one should not expect to “drop in” without an appointment.

Switzerland has a reputation for excellence in producing high quality, value-added goods such as industrial machinery (particularly machine tools), watches, chemicals, and pharmaceuticals. It is also a consumer of these products from the United States. The country's highly developed industrial base provides an attractive, open market. As a result, imported components are integrated within world-class Swiss products. In 2002, the top U.S. exports to Switzerland were machinery, electronics, chemicals, and vehicles. Despite its relatively small population of just over 7 million, Switzerland was the United States' 17th-largest export market in 2002. As the numbers clearly indicate, U.S. companies are already finding sales success in the Swiss market, many with the assistance of the U.S. Commercial Service. The Commercial Service has helped companies in various industries, from watch manufacturers to computer software firms, establish strong footholds in the country.

Switzerland's open market, affluence, cosmopolitan population, central location, and sound economy make it an excellent export target. U.S. companies looking to Europe will find an advanced market with a wealth of opportunity in Switzerland.

TRADE EVENTS

U.S. exporters are strongly urged to participate in reputable trade shows in Switzerland to give their products commercial exposure. Swiss buyers, agents, and distributors, to a greater extent than their U.S. counterparts, use trade shows as a means of finding new products. It is often more difficult to arrange personal meetings with prospective Swiss business partners if the U.S. company has not already expressed its commitment to the Swiss market by participating in trade fairs. In addition to trade events in Switzerland, Swiss companies regularly participate in the major shows in Germany and Italy. As with most European countries, there is no substitute for establishing a personal relationship with a potential business partner.

UPCOMING TRADE EVENTS

Date	City	Event
May 20–22	Geneva	EIBTM (Tourism)
September 23–26	Basel	Orbit/COMDEX Show
September 29	Zurich	MBA Fair
October 12–18	Geneva	World Telecommunications Exhibition
November 11–14	Zurich	Security and Law Enforcement Equipment Show

WEB RESOURCES

U.S. Commercial Service in Switzerland

www.buyusa.gov/switzerland/en

Tel: (+41-31) 357-7642

Fax: (+41-31) 357-7336

U.S. Embassy in Switzerland

www.us-embassy.ch

Jubiläumstrasse 93

3001 Bern, Switzerland

Tel: (+41-31) 357-7011, (+41-31) 357-7344

Swiss Embassy in Washington, D.C.

www.eda.admin.ch/washington_emb/e/home.html

trade@was.rep.admin.ch

Swiss Confederation

www.admin.ch

World Economic Forum

www.weforum.org

Swiss Rail

www.rail.ch

European Free Trade Association

www.efta.int

Swiss Statistics and Key Data

www.statistik.admin.ch/stat_ch/ber00/eeck_m.htm

This article was compiled with the help of the Commercial Service staff in Bern, Switzerland, and the Swiss Embassy in Washington, D.C.

BEST PROSPECTS FOR U.S. EXPORTERS

Art

Switzerland is becoming an important market for art, importing more than \$1 billion per year, 54 percent of that from the United States. With one of the highest per-capita incomes in the world, the Swiss buying public values the wide range of art available in the United States. The city of Basel, Switzerland, hosts the world's largest annual art fair.

Educational Services

The Swiss highly value mastery of the English language, and they utilize language programs in the United States to achieve this. Based upon recent data, the vast majority of the 5,000 annual student visa holders from Switzerland visit the United States to attend English language programs. In addition, there is strong interest among Swiss business professionals in pursuing MBA degrees in the United States. Each year, the MBA Fair in Zurich encourages five to 10 students to enroll in a U.S. MBA program.

Information and Communications Technology

This industry ranks third in value, after the pharmaceutical and financial services industries, and is one of the five largest employers in Switzerland. Five-percent growth is predicted for the next five years in this sector. Software has a \$2 billion market, much of it supplied by U.S. companies enjoying a stellar reputation in Switzerland. High growth is predicted for e-commerce. Internet penetration in the country is at 60 percent, one of the highest rates in the world. In telecommunications, Switzerland hosts ITU Telecom World every four years with more than 1,000 exhibitors.

Science and Technology

Switzerland ranks among the world's leading nations in science and technology, spending an average of 2.7 percent of its GDP annually on research and development. Last year, the Swiss parliament approved a \$12.5-billion program to further research in key areas of science and technology. On a per capita basis the country boasts the world's highest number of Nobel Prize winners. One of the more promising

markets is for state-of-the-art scientific and laboratory instruments as well as relevant data acquisition and processing systems.

**Security Equipment**

Increased fears of terrorism and illegal immigration have moved security to the top of the Swiss political agenda. Investments in relevant security and law enforcement equipment have grown by about 12 percent annually to \$275 million. The focus is on video surveillance systems, access control, and identification, as well as home burglar alarms. Secure communications equipment is also an attractive but highly competitive market with state-of-the-art local manufacturers.

Tourism

Switzerland, despite its small population, has been a significant contributor to U.S. tourism. Some 400,000 Swiss have visited the United States every year for the past decade, spending an estimated \$2 billion each year. Following the events of September 11, 2001, the number of Swiss visitors dropped to 324,000 in 2001, and another decrease is expected in the forthcoming figures for 2002. ■



The American architectural team of Diller + Scofidio created a "cloud" for Swiss Expo 2002. It is a building designed to be pure atmosphere and is made of mist formed by 30,000 fog nozzles mounted on an immense frame and suspended over Lake Neuchâtel in Yverdon-les-Bains, Switzerland.

Ask the TIC

China's CCC Mark: A Guide for U.S. Exporters

by Tim Wineland

Office of the Chinese Economic Area,
Market Access and Compliance

Chris Johnston and
Maria Mussler

Trade Information Center,
Trade Development

New product quality and safety rules may affect your company's exports to the People's Republic of China.



What is the CCC Mark?

The China Compulsory Certification (CCC) mark is China's newest quality and safety mark. Since 1989, the People's Republic of China has had a safety licensing system, which included the CCIB mark (for products in 47 categories) and the CCEE "Great Wall" mark (for electrical commodities in seven categories). As the certification system grew through the 1990s, many companies exporting to China raised concerns about the dual certification systems, redundant testing, and different treatment of domestic and imported products. The CCC mark system merges the earlier marks, and it entails many of the same requirements as the previous certifications. China's Certification and Accreditation Administration (CNCA) oversees the new standards system, which was developed in response to the requirements of the country's accession to the World Trade Organization.



Which Products Must Have the CCC Mark?

There are 132 types of products that require the CCC mark. A list of the specific products is available on the China Gateway site: www.mac.doc.gov/China/Docs/BusinessGuides/cccguid.htm.



When Do These Requirements Take Effect?

The CCC mark became effective on May 1, 2002. The Chinese government provided for a one-year transition period during which products requiring certification could enter China with one of the prior marks. However, as of May 1, 2003, exporters whose products require certification must bear the CCC mark.



What is the Typical CCC Mark Application Process?

Step One: Determine Whether Your Products Require CCC Marking

First, examine the CNCA's product catalogue and determine whether your products, or component parts within your finished goods, require CCC marking. The product catalogue is a list, divided into broad product categories, of all the products requiring CCC marking. You can access the catalogue on the China Quality Certification Center's site: www.cqc.com.cn/cc/catalogueeng.pdf.

If the short descriptions in the product catalogue are not specific enough to determine whether the CCC mark applies to your product, you have two other options:

- Review the CNCA's "Implementation Rules" booklets, described in Step Two below. The 47 booklets each provide a "scope" section, which in some cases provide a more detailed description of which products require the CCC mark.
- Review the CNCA's "Announcement 60," a table linking HS codes to products that require the CCC mark (see www.cnca.gov.cn/board/bianmabiao.htm). The document is only available in Chinese, but you may be able to locate the HS codes of your company's products. You may then want to hire a translator to translate that section. Don't know your HS codes? Check with your shipping department, freight forwarder, or whoever handles your Chinese customs paperwork. Alternatively, contact the Foreign Trade Division of the U.S. Census Bureau. For durable goods, call (301) 763-3259. For non-durable goods, call (301) 763-3484.
- Be aware that component parts of a manufacturer's finished products may in some cases require CCC certification. In those cases, the component manufacturer is generally required to apply for the CCC mark. Also be aware that spare parts and replacement parts shipments may in some cases require CCC certification, or application for an exemption. Your Chinese agent may be able to help clarify these requirements.

Step Two: Get the Implementing Regulations

The CNCA has published 47 "Implementation Rules for Compulsory Certification." The booklets are available in English on-line: www.cnca.gov.cn/download/english.html. The booklets list technical application requirements for each of the product categories. The rules cite numerous "GB Standards," which are mandatory national standards. Information on mandatory standards is available from the following agency:

WTO/TBT National Enquiry Point

Administration of Quality Supervision, Inspection, and Quarantine People's Republic of China

Tel: +86-10-856-22885

Fax: +86-10-856-22884

E-mail: tbt@aqsiq.gov.cn

Step Three: Consider Your Options for Applying

Some companies use agents or consultants to manage their CCC mark applications. Other companies apply on their own, or rely on their importers or distributors. Check with your Chinese partners, distributors, or your export managers. They may have experience with the CCC mark and can point you to other resources.

If you elect to use a consultant, several U.S. firms can help you apply and manage your applications for CCC certification.

The U.S. Department of Commerce is aware of several such firms, but it cannot endorse any individual company. A list of companies is available on www.mac.doc.gov/China/Docs/BusinessGuides/cccguid.htm.

Step Four: Apply

If your company elects to handle the application process, your first step should be to visit the Web site of the China Quality Certification Center (CQC): www.cqc.com.cn/index-e.htm. At this site, click on the "CCC Application On-line Guide," a document with step-by-step instructions on how to apply for the CCC mark. Application is a five-step process:

1. Application. This means submission of an application and supporting materials, including user guides, CB reports, EMC (electro-magnetic compatibility) reports, regulatory labels, and other information.
2. Type testing. A CNCA-designated test laboratory in China will test product samples.
3. Factory inspection. The CQC will send representatives to inspect the manufacturing facilities of your product. They will inspect each factory producing your product. For example, if your company manufactures Product Z in five separate factories, all of which ship product to China, you will need to have five separate factory inspections. Please note that Chinese inspectors will need U.S. visas to visit U.S.-based facilities. The U.S. State Department is now subjecting visa applications to a greater degree of scrutiny than in the past, and visa applicants are being advised to expect delays. These visa delays may slow your CCC application.
4. Evaluation of certification results, followed by approval (or failure or retesting).
5. Follow-up factory inspection. Chinese officials will re-inspect the product's manufacturing facilities every 12–18 months.



How Long is the Certification Process?

The application process for the CCC mark typically takes 60 to 90 days, but it may be longer.



Are There Other License Requirements with which I Must Comply?

China has multiple certification schemes. Though the CCC mark is the widest-ranging certification requirement, your product may have to meet other requirements as well. For example, China's Ministry of Information Industry regulates telecommunications and Internet equipment, and for certain equipment it requires manufacturers to obtain a "network access license" and "network access identifier mark," which includes requirements for testing in Chinese laboratories. Similarly, China's State Drug Administration requires product registration for certain medical devices.



How is the U.S. Government Addressing Problems U.S. Companies Face?

The U.S. government is working closely with Chinese officials to answer the questions of U.S. exporters and advocate on behalf of U.S. industry interests. The U.S. government is negotiating with the Chinese government in high-level meetings in Washington, Beijing, and Geneva, as well as regular working-level discussions. Additionally, the U.S. Commerce Department has coordinated extensively with U.S. businesses in order to address their concerns and is organizing local seminars to publicize the new requirements at the following U.S. Export Assistance Centers:

May 5, 2003: Newport Beach, Calif.

May 6, 2003: Portland, Ore.

May 7, 2003: Seattle, Wash.

May 8, 2003: Indianapolis, Ind.

As the deadline for CCC registration approaches, the Commerce Department can provide information on the CCC mark system. Additionally, the U.S. government, in its role as an advocate for U.S. industry, can, where appropriate, raise your questions or concerns directly with the Chinese government.

If your company encounters difficulties with the CCC system or has trade policy concerns, contact:

Timothy Wineland

Office of the Chinese Economic Area

U.S. Department of Commerce

Tel: (202) 482-5316

Fax: (202) 482-1576

E-mail: Timothy_Wineland@ita.doc.gov



Where Can I Find Additional Assistance?

For help with any export-related question, contact the U.S. Commerce Department's Trade Information Center:

Trade Information Center

Tel: (800) USA-TRADE

E-mail: tic@ita.doc.gov

Web site: www.export.gov/tic

FOR MORE INFORMATION

The Trade Information Center (TIC) is operated by the International Trade Administration of the U.S. Department of Commerce for the 19 federal agencies comprising the Trade Promotion Coordinating Committee. These agencies are responsible for managing the U.S. government's export promotion programs and activities. You, too, can "Ask the TIC" by calling (800) USA-TRADE toll free, Monday through Friday, 8:30–5:30 EST. Or visit the TIC's Web site at www.export.gov/tic.

Inside Freight Forwarding

Enhancing Customer/Forwarder Efficiency

by Tim Shedd
CGL

Due to the inherent flexibility of non-asset-based freight forwarders, they are able to perform almost any transportation logistics function, ranging from storage to door-to-door movement of cargo. Forwarders function as middlemen; they organize transportation of goods among air, land, and sea carriers; pickup and delivery agents; customs brokers; and even financial institutions. Forwarders help exporters choose and manage transportation options.

Exporters will find many advantages in working with forwarders. Since a forwarder exports a much larger volume of cargo than an individual shipper, the forwarder will benefit from better rates obtained from the actual carriers of the freight. In addition, forwarders have networks all over the world and experience working with other transportation agents.

Exporters can maximize their relationships with forwarders by understanding what it takes to ship goods. At its most basic level, each relationship between a forwarder and an exporter ensues from a discussion of services and rates.

ESSENTIAL INFORMATION

One of the best ways to sample a forwarder's services is to call for a price quote. When doing so, it is important

to provide substantial information for an accurate quote.

The first information needed is about the parties involved: the shipper (from whom the freight will be picked up), the customer (you), and the consignee (the recipient of the freight). Full address information is pertinent. Usually, the shipper and customer are the same party. However, the shipper may in some cases be a supplier of the party instigating the shipment.

After the forwarder has determined the origin and destination of the shipment, the next information needed regards the actual freight: the pieces, weight, dimensions, value, and description of the commodity. An air rate quote is based upon either the actual weight or the chargeable weight (cubic centimeters divided by 6,000), whichever is greater. It is important to provide dimensions for any quote request, since some oversize cargo may limit the forwarder's flight options. As a general rule, the maximum allowable dimensions for freight moving on a standard cargo or passenger aircraft are 317 x 223 x 162 (L x W x H in cm). Certain cargo aircraft will accept freight with greater dimensions than these, although the costs involved may be significantly higher.

Ocean freight rates for less-than-container load (LCL) cargo are also based upon weight (kilograms divided by 1,000) or measure (cubic meters), whichever is greater. Shipping

containers also have dimensional limitations. The standard width and height for most ocean containers (20-, 40-, and 45-foot containers) are 235 cm and 240 cm respectively. Out-of-gauge LCL freight transportation may be available, but the costs will be greater than ordinary LCL shipping.

COMMODITY RULES

Commodity type and use are important, because any shipment that travels internationally must comply with export and customs regulations. Every good that is exported will be classified with a Schedule B number. This 10-digit code is required on multiple documents for each export shipment. Each commodity in a consolidation of freight will have its own Schedule B number. (For more about Schedule B numbers, see "Classifying Your Products for Export," *Export America*, January 2003.)

Some goods may be considered hazardous substances, which are subject to additional rules and regulations. Every hazardous shipment requires a hazardous declaration. There are different hazardous declaration requirements for air and ocean freight, and both air and ocean declarations must be prepared in accordance with worldwide standards. The International Air Transport Association (IATA) provides guidelines for hazardous air cargo; the International Maritime Organization (IMO) sets standards for hazardous ocean cargo. Both the IMO and IATA specify the hazardous goods training

needed for anyone responsible for the shipping of hazardous substances. A forwarder may also request a Material Safety Data Sheet (MSDS) for a hazardous shipment.

You will also need to apprise the forwarder of other handling requirements. For instance, cargo may be top heavy or need special loading. Additionally, some commodities have short shelf lives, are perishable, or have particular temperature requirements.

The forwarder needs to know the value of your shipment, because any commodity with a value exceeding \$2,500 must be reported to the U.S. Census Bureau on a Shipper's Export Declaration. (There are a few exceptions to this rule, including all U.S. exports to Canada that do not require export licenses.) It is the shipper's responsibility to report this value to the government; however, the forwarder may take over this duty if given permission by the shipper in a power of attorney.

TRANSIT AND DELIVERY

A forwarder is especially interested in the time demands of your shipment. Air transit times are obviously considerably shorter than ocean transportation. A forwarder needs to know when you want the freight picked up, and when you wish it released to the consignee. Ensuring that all of your documentation is in order is paramount in meeting desired transits. A good forwarder will always ensure everything is in order, but even the best ones cannot accomplish this without cooperation from their customers.

The final steps to a quote entail sales terms and customs clearance of the freight at the destination port. Sometimes a shipper will ask the forwarder to provide true door-to-door service, providing clearance and eventual delivery directly to the consignee—something any established forwarder should be able to provide with a network of foreign agents. Quite often,

the customer or consignee will wish to arrange the clearance and recovery of the freight themselves. This is logical, since the consignee exists locally and, if working with imports often, should have his own customs brokerage contacts. When this is the case, the forwarder looks to the customer to dictate the method and routing of transportation.

Sales terms ensue from Incoterms, which define the roles of the buyer and seller in the arrangement of transportation, as well as clarify when the transfer of ownership of the merchandise takes place. Your forwarder can help you determine the Incoterm that best suits your situation. (For more information, see "Incoterms: Rules for Trade Logistics," *Export America*, September 2002.)

Once the forwarder has the information described above, he will begin to map out your shipment. He will take many factors into consideration, including but not limited to:

- Which carriers travel between the desired origin and destination ports?
- Can those carriers perform the transportation within the desired time frame?
- Do you have specific routing and/or carrier preferences?
- If freight is hazardous or of extraordinary dimensions, are those carriers equipped to handle it?
- Is there enough time to meet the carrier's requirements for tendering of freight?
- Are there any financial issues (e.g., insurance, letters of credit, special payment arrangements, etc.)?
- Are there additional requirements or noteworthy issues in terms of licensing, handling, or service?

PUTTING THE PIECES TOGETHER

The forwarder will create a shortlist of potential carriers and select the primary one according to a combination of

reliability and cost. Then the forwarder will check for space availability with the carrier. When available space is confirmed, the forwarder will be able to provide you with a quote. After you have done a sufficient amount of business with a forwarder, chances are that both parties will want to work from a tariff (rate schedule), eliminating the need for the quoting process.

A customer needs to be aware that while schlepping freight is surely not brain surgery, there is a need for roughly the same level of precision. The threat of terrorism has caused government agencies to create security programs that are strictly enforced. This has an enormous effect on transportation, as the margin for error has been reduced to zero. The only way to ensure the flow of goods is for shippers to be very forthcoming and to cooperate fully with their transportation providers. ■

The author has extensive experience in forwarding operations, including trucking, warehousing, and worldwide transportation. CGL (Concert Group, LLC) is a non-asset-based forwarder with a head office in Downers Grove, Illinois, just outside Chicago. Eric W. Petersen, a former Chicago-based forwarder, contributed to this article. For more information about global transportation, see "Trade Logistics 101: An Introduction to Forwarding," *Export America*, August 2002. Past articles from *Export America* are available online (<http://exportamerica.doc.gov>) as both PDF and HTML files.



Trade Opportunities in Australasia

Doing Business in the Land of Oz and Kiwi

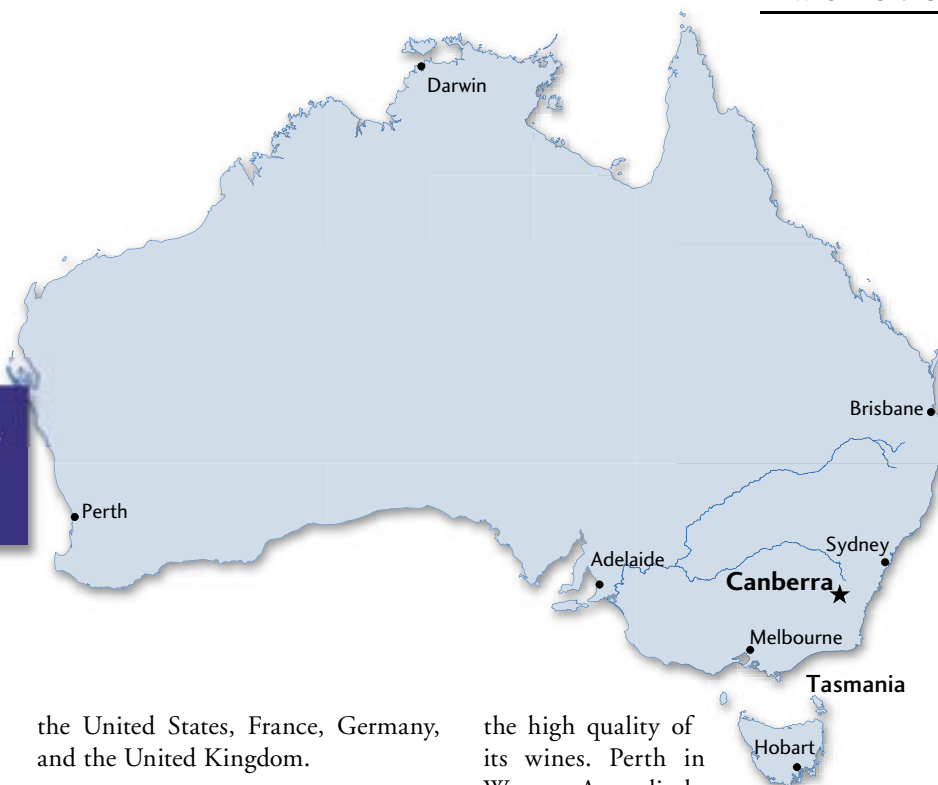
What happens when you combine two English-speaking countries, both with growing economies, safe and secure growth markets for U.S. exports, excellent transportation and communications infrastructure, as well as stable and transparent political and legal systems? In this case, you get Australia and New Zealand, which share close trading relationships with the United States.



Australia

by Jim McCarthy

U.S. Commercial Service, Australia



Australia is the world's 14th-largest economy by GDP, according to the Economist Intelligence Unit. Despite the regional economic turmoil of the late 1990s and the more recent downturn in the U.S. economy, Australia has enjoyed an unprecedented period of economic growth over the last decade. The recent drought notwithstanding, the Reserve Bank of Australia predicts that the Australian economy will continue to grow on the strength of sustained consumer spending and housing construction. Most economic forecasts call for GDP growth in 2003 of more than 3 percent, putting Australia near the top of all OECD countries. However, as with most growth rates, this will depend on the overall health of the world economy. Unemployment has risen in recent months to 6 percent but is still near historic lows. Inflation is likely to stay between 2.5 and 3 percent this year.

Australia's financial stability was recently underscored when Standard and Poor's raised the country's international credit rating from "AA+" to "AAA," its highest financial rating in 17 years. The financial rating company cited the strong banking sector, the federal budget, and a healthy foreign exchange market as reasons for the upgrade. Only 16 other countries have garnered an "AAA" rating, including

the United States, France, Germany, and the United Kingdom.

The country's stability is not limited just to its finances. A number of studies have rated Australia as one of the safest and securest places in the world to do business in economic, political, and social terms.

When it comes to Australia, most Americans are familiar with Sydney, Melbourne, and perhaps natural formations such as the Great Barrier Reef and Ayers Rock, also known as Uluru. Sydney, which is in the state of New South Wales, achieved prominence with its near flawless organization and hosting of the 2000 Summer Olympic Games, but its stature continues as a regional financial and business services center. Many U.S. firms are located in Melbourne, as it is a key manufacturing base.

Still, Australia's economic activity is not limited to the major metropolitan areas of Sydney (approximately 4 million) and Melbourne (about 3.5 million). Brisbane in Queensland is one of the country's fastest-growing cities. Many southern city dwellers have moved to Brisbane, attracted by the lifestyle and affluence of the area as well as the thriving cultural community. Adelaide in South Australia is known for its automotive manufacturing and, with nearby Barrosa Valley,

the high quality of its wines. Perth in Western Australia has the country's highest state economic growth, with recent discoveries of oil and natural gas on land and offshore. Perth is a mere four-hour flight from Singapore, which puts it closer than Sydney to Southeast Asia and illustrates the vast territory of Australia.

STRONG U.S.-AUSTRALIAN TRADE TIES

U.S.-Australian trade ties are among the strongest in the world. The Australian market is extremely sophisticated and boasts an excellent communications and transportation infrastructure. Through a common language and shared business values, American companies often feel quite at home in Australia.

Despite its distance from the United States and relatively small population of 19 million people, Australia is the 13th-largest market for U.S. goods, totaling just over \$13 billion in 2002. The United States is the largest investor in Australia across a wide range of industries, including consumer goods, automobiles, mining, oil and natural gas production, financial services, and information technology. Similarly, the United States is the largest recipient of Australian investment overseas. Further investment could be accelerated

by the adoption of the Australian-U.S. agreement on double taxation, which was negotiated in 2001 and should be approved in 2003.

Import duties are minimal. Since the early 1970s, average tariff levels have declined to the point at which 86 percent of Australia's tariffs are between zero and 5 percent. The average most-favored nation rate for industrial products is 4.7 percent. Australia's highest tariffs apply to apparels and certain finished textiles, passenger motor vehicles and components, and footwear.

The United States enjoys a trade surplus with Australia (\$6.6 billion in 2002), second worldwide only to the Netherlands. Although the surplus declined in 2001 due largely to a strong U.S. dollar and the aftereffects of the events of September 11, 2001, it bounced back in 2002 to \$6 billion. Coincidentally, so did the Australian dollar, which gained in value from a low of over A\$2.00 to the U.S. dollar in 2000 to its current level of close to A\$1.69.

The following sectors offer good prospects for U.S. exports:

- Information and communications technology
- Military and aerospace
- Safety and security
- Medical equipment and health care
- Environmental technologies
- Energy and mining production.

TOURISM

Travel and tourism also represent important market opportunities for American companies. Australia has risen to the eighth-largest market in the world for visitors to the United States. Australians stay longer (more than three weeks on average) and spend more in time and money than most international visitors to the United States. Qantas and Virgin Blue, the principal airlines serving Australia, have added Boeing 747-400s for regional and U.S. travel.

TRANSPORTATION INFRASTRUCTURE

Australia's transportation infrastructure encompasses 280 licensed airports, including nine international gateways in Sydney, Melbourne, Brisbane, Perth, and Cairns. Two-thirds of interstate cargo is carried on 500,000 miles of paved roads. Railroads cover another 24,000 miles and will soon see the long-awaited establishment of a link between Darwin and Adelaide. Australia also boasts a strong lineup of ports in Sydney, Newcastle, Melbourne, Brisbane, Adelaide, and Fremantle.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

Australian citizens are savvy users of information and communications technologies. Approximately two-thirds of Australian households own or lease a computer. A recent Nielsen survey cited Australia as one of the most mature Internet markets in the world. It is the eighth-largest Internet market in the world (10.5 million users), with one of the highest penetration rates (72 percent). Last year, the Economist Intelligence Unit rated Australia sixth in the world and first in the region in "e-readiness," an indicator of the ability of businesses to conduct e-commerce. Although broadband has yet to play the same kind of role in Australia that it has in the United States, demand for broadband services soared last year

in both the business and residential sectors, and investment in additional broadband network and services could reach \$500 million by 2005–2006. One million broadband customers are possible by the end of 2005.

BIOTECHNOLOGY

Biotechnology is an important sector for U.S. companies. Australia has an international reputation for multidisciplinary scientific advancement and early adoption of new technologies. The country is proud of its history and credits in areas such as the development of penicillin, the cochlear implant, treatment of sleep apnea, and the detection of cancerous cells by computer. Australia continues to be a leader in life science research, and the country's technological productivity is very high, with a per capita patent filing rate similar to that in the United States.

Due to these and other factors, nearly 1,000 U.S. companies are represented in Australia, and more than 300 have made Australia their Asian base for all or part of their operations. But the increasingly multicultural nature of Australian society is also playing a role. Although English is the language of business in Australia, one in five households use a language other than English. In order to adapt to the diverse nature of the growing immigrant community, call centers and other regional operations of multinational companies

AUSTRALIA: FACTS AND FIGURES

Total area: 7,686,850 square km (a little smaller than the 48 contiguous U.S. states)

Population: 19.7 million

GDP: \$465 billion (2003 forecast)

GDP growth: 3.7% (2003 forecast)

Inflation: 2.5% (2003 forecast)

GDP by sector: services 72%, industry 25%, agriculture 3%

Main industries: mining, industrial and transportation equipment,

food processing, chemicals, steel

Currency: Australian dollar

Exports: coal, gold, wheat, alumina, iron, ore, meat, machinery, transportation equipment

Imports: machinery, transportation equipment, computers, office machines, telecommunications equipment, crude oil, petroleum products

Languages: English, native tongues

Sources: CIA, EIU.

have developed in Australia to service many Asian countries.

The American Chamber of Commerce in Australia has one of the largest membership bases in the region. The Council of Great Lakes Governors recently established its Australasian base in Sydney, and a number of other states and cities have representative offices for trade or tourism.

SIMILAR, BUT DIFFERENT

In many ways, American companies feel quite at home when doing business in Australia. The similarities in language, culture, business practices, and customer expectations provide for an atmosphere in which transactions can be made more easily than elsewhere. As one local observer noted, "I believe the only other country Americans find as familiar and easy to work in is Canada."

Australians are quite knowledgeable and up-to-date about developments and trends in the United States. Many Australians have relatives and friends who live in the United States, or they have lived there themselves for extended periods. Australians are gracious and yet informal and direct in their business dealings. Australians often do business on a first-name basis, and business cards are exchanged in a manner that Americans would recognize.

Appointments are relatively easy to schedule at practically all organizational levels. Americans find that many Australian executives are pleasant, approachable, and willing to meet to discuss business. The best policy is to arrange an appointment one month in advance.

For the business traveler, the best time to visit is from March through November, since the tourist season lasts from December through February. Avoid scheduling visits around Christmas and Easter, since many executives will be on vacation during these periods.

FREE TRADE AGREEMENT ON THE WAY

On November 14, 2002, Australian Prime Minister John Howard and U.S. Trade Representative Robert Zoellick announced that negotiations would begin towards a free trade agreement between the two countries in 2003. Zoellick stressed that the United States would aim for a comprehensive agreement. In a letter to Congress, Zoellick said that the United States had "much to gain" in these negotiations, in that greater access to the Australian market "would further boost trade in both goods and services, enhancing employment opportunities in both countries." An Australian study indicated that a free trade agreement with the United States would boost Australian GDP by 0.4 percent, or about \$2 billion per year. U.S. GDP would also grow by about the same amount. The first round of free trade agreement talks commenced in March (see page 23).

MAJOR UPCOMING EVENTS

Following on the huge success in the organization of the 2000 Summer Olympic Games, Australia will serve as the host of several important conferences and sporting events, many of which include business-related activities, including:

- The Rotary World Convention, Brisbane, June 1-4, 2003, expected to draw 25,000-30,000 delegates.
- The Rugby World Cup, Sydney and other cities, October 10-November 22, 2003, the third-largest sporting event in the world, which is expected to attract 40,000 foreign visitors.

Other events covering best prospect industries are located in the trade event listing on page 26 and on www.export.gov.

Visitors to Australia for these or other events can maximize the business aspects of trips and enhance the chances of business success by contacting the Commercial Service in advance by e-mail (sydney.office.box@mail.doc.gov) or phone (+61-2-9373-9205). ■

Australia and New Zealand

ICE Expo

May 2-4 2003, Auckland, New Zealand
Internet, Computer, and Entertainment Expo (formerly Computerworld Expo) is the largest IT show in New Zealand.

Contact: Lisa Struneski
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E-mail: Lisa.Struneski@mail.doc.gov

Fieldays

June 11-14, 2003, Hamilton, New Zealand
Fieldays is the largest agricultural show in the Southern Hemisphere. Showcasing the latest in agricultural products and services, Fieldays attracts 1,000 exhibitors and more than 115,000 visitors. This is New Zealand's premier agribusiness event. New releases, information, machinery demonstrations, technology, and innovation—it's all at the Fieldays show.

Contact: Janet Coulthart
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Security 2003

August 12-14, 2003, Sydney, Australia
Security 2003 is the 17th annual conference and exhibition of the Australian Security Industry Association. This leading event attracts over 4,000 visitors, comprised of the Australian security industry's key decision-makers, suppliers and customers.

Contact: Phil Keeling
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Franchising Expo

August 14-17, 2003, Auckland, New Zealand
The Business and Franchising Expo offers a look into New Zealand and Australian franchise systems available in New Zealand.

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AIMEX

September 9-12, 2003, Sydney, Australia
AIMEX is one of the most prominent mining exhibitions on the international calendar. The U.S. Commercial Service is organizing a U.S. pavilion within the show.

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Australian International Air Show

High-flying Display of Technology

One of the landmark events on the Australian trade show calendar is the Australian International Air Show, held in February every two years at Avalon Airport, near Melbourne, Victoria.

Since its inception in 1992, the Avalon show has grown to be one of the most comprehensive shows of its kind the world. Coupled with the associated Aerospace Expo, the air show is recognized as a focal point for international aviation and aerospace technology. It has become a major showcase for aerospace marketing and related defense technology, business and commercial aviation, equipment and facilities, airlines, and general aviation services.

The show attracts more than 200,000 visitors, including 35,000 trade visitors from government, industry and defense, who visited the 500 exhibits from 30 countries at the Aerospace Expo.

The 2003 show commemorated the first century of aviation, celebrating the 100 years since Wilbur and Orville Wright made their first powered flight at Kitty Hawk, North Carolina, on December 17, 1903. A series of flying and immobile displays commemorated the history of flight and highlighted Australia's important role in the development of international aviation.

The United States, a leading supplier of aircraft and aviation equipment to

the Australian marketplace, is always a winner at the show. The area of the exhibition halls occupied by U.S. companies constitutes the largest overseas presence of the 190 foreign exhibitors and 21 countries represented. U.S. aircraft are a major draw for both trade and public visitors, both as standing displays and thrilling the crowd with spectacular aerial maneuvers.

The big names in the U.S. aerospace industry are all represented at the show, vying for civilian and military aviation business, seeking new opportunities to supply unmanned aerial vehicles, new generation fighter aircraft, land and sea-based helicopters, and space systems. Seven small and medium-sized U.S. companies visited the 2003 show as participants in the U.S. Commerce Department's

Aerospace Executive Service, organized by the Commercial Service's Aerospace and Defense Team and the Commercial Service in Australia. The company executives found time to enjoy the Aussie show while attending a busy series of meetings designed to lead to profitable export business. The consensus of the program participants was that not only was the 2003 show a great place to do business but that their corporate plans must include a visit in 2005! The show can be found at www.airshow.net.au. ■



The Australian Roulettes perform precision aerobatic maneuvers at the Australian International Air Show and Aerospace Expo.

Photo courtesy of U.S. Commercial Service, Sydney.

Creating Stronger Ties with an Historic Ally

by Ariadne Beraissa

Office of South Asia and Oceania, Market Access and Compliance

U.S.-Australian free trade agreement (FTA) negotiations began the week of March 17, 2003, in Canberra, Australia, with subsequent negotiations already scheduled for the weeks of May 19 and July 21. The U.S. government plans to use the negotiations to strengthen the already significant bilateral commercial ties and to address barriers that U.S. exporters face in the Australian market.

Australia has been a strong market for U.S. industry for many years. Indeed, the United States maintains a trade surplus with Australia. Among other products, U.S. industry has had strong sales in information technology equipment and services, aircraft and aircraft parts, automobiles and automotive parts, medical equipment, and turbojets.

The U.S. government has highlighted a number of specific objectives for these negotiations. The United States will seek increased access to Australia's market through elimination of tariff and non-tariff barriers, which will benefit a broad range of U.S. sectors. It also will seek to facilitate the export of U.S. food and agricultural products to the Australian market, including the elimination of Australian government export monopoly arrangements, practices that adversely affect exports of perishable or cyclical agricultural products, and any unjustified sanitary and phytosanitary measures.

The United States will seek greater access to Australia's services market and the elimination of restrictions in the telecommunications, financial services, and other service sectors. It also will seek enhanced protection of intellectual property, including in the area of new technology.

Additionally, the United States is seeking the establishment of rules that would eliminate barriers to U.S. investment in Australia, including investment screening by the Australian government, as well as improved access to Australian government procurement markets.

The agreement will have provisions on labor and the environment. There will also be a state-to-state dispute settlement provision.

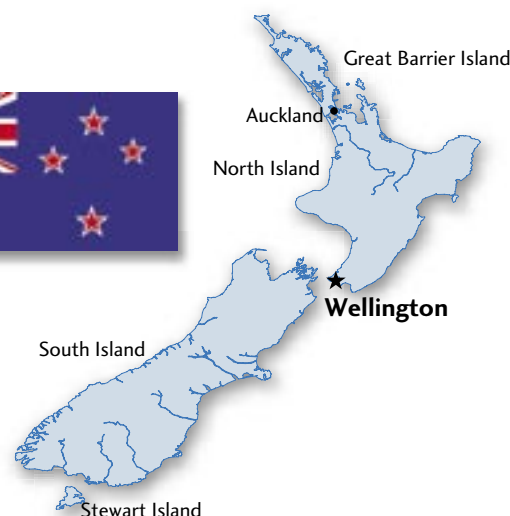
To provide input on the FTA negotiations, contact Barbara Weisel at (202) 395-6813 or bweisel@ustr.gov. ■



New Zealand

by Lisa Struneski

U.S. Commercial Service, New Zealand



New Zealand has recently become known more for hobbits and other creatures from *The Lord of the Rings*, but the reality is that New Zealand is a two-island nation of about 4 million citizens, with a unique international flavor and a penchant for recognizing commercial opportunities. As a small country, international trade is essential to New Zealand, and the government makes doing business "down under" very easy, with low or no import duties. New Zealand plans to eliminate most tariffs by 2005, with minimal tariffs remaining on certain products.

New Zealand represents an ideal destination for various new-to-export companies. Like Australia, New Zealand is a strong and stable democracy, and business practices are similar to those in the United States. The United States is New Zealand's third-largest export destination and third-largest source of imports, behind Australia and the European Union. In 2001 New Zealand's total trade with the United States accounted for 15.4 percent of total trade. New Zealand, in turn, ranks 40th as a destination for U.S. exports. U.S. imports are faring better in the marketplace with an increase in the U.S.-New Zealand dollar exchange rate to \$1.80 after a six-year decline that saw a low of \$2.56.

Inflation rose last year by 1 percent to 2.8 percent, which caused the Reserve Bank to raise interest rates to 5.75 percent. This, however, has not slowed economic growth. New Zealand's economy is very robust, and the previously low exchange rate aided the country's top export group, agricultural products.

The building industry is also affected by interest rates. The country and Auckland in particular have experienced a steady increase in new housing construction as well as an increase in property prices. This is due to cyclical trends as well as an increase in net migration.

Auckland, which has approximately 1.1 million people, is the commercial center of New Zealand. The capital, Wellington, has a population of 414,000. The other major center is Canterbury in the South Island with

a population of 468,000. The population of New Zealand is predicted to grow to 4.81 million people by 2051, with half older than 45 and one in four over 65 years old. The current unemployment rate remains near its historic low of 4.9 percent.

New Zealand offers opportunities in numerous sectors. The U.S. Commercial Service has focused on the following areas:

- Information and communications technology
- Franchising
- Tourism
- Environmental technologies.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

New Zealand has a very competitive information and communications technology market, with a range of equipment and software companies

NEW ZEALAND: FACTS AND FIGURES

Total area: 268,680 square km (roughly the size of Colorado)
Population: 3.9 million
GDP: \$64 billion (2003 forecast)
GDP growth: 2.4% (2003 forecast)
Inflation: 1.7% (2003 forecast)
GDP by sector: services 69%, industry 23%, agriculture 8%
Main industries: food processing, wood and paper products, textiles,

machinery, transportation equipment, banking and insurance, tourism, mining

Currency: New Zealand dollar

Exports: dairy products, meat, wood and wood products, fish, machinery

Imports: machinery and equipment, vehicles, aircraft, petroleum, electronics, textiles, plastics

Languages: English, Maori

Sources: CIA, EIU.

supplying both the domestic market and niche markets overseas. New Zealanders are enthusiastic early adopters of new technologies. In 2002, 90 percent of New Zealand's businesses regularly used computers, while 40 percent operated a Web site. New Zealand receives many inquiries from United States information and communications technology firms and has a very high success rate in facilitating agent and distributor relationships.

FRANCHISING

The latest Franchising Association of New Zealand survey of franchising shows 16-percent growth annually of franchise start-ups in New Zealand, with 768 new units opening in the 12 months prior to the survey. Overall respondents reported an impressive 20-percent increase in comparison with figures listed in last year's survey. There are an estimated 300 systems operating in New Zealand, putting total revenue at around \$10 billion and the number of people working in the franchising sector at about 70,000, based on revenue and staffing averages. Auckland is the franchising capital, with 33 percent of the franchise units in the survey based there. Christchurch has 13 percent and Wellington 11 percent.

TOURISM

Tourism in New Zealand has been spurred by the massive international publicity generated by *The Lord of the Rings* trilogy of movies, which were all shot in New Zealand, as well as the worldwide interest in the America's Cup (see below). New Zealand has 15,134 kilometers of picturesque coastline as an added bonus when traveling to world-class skiing, hiking, sailing, extreme sports, freshwater and saltwater fishing, and other adventure activities.

Tourism numbers continue to increase and, along with them, the demand for premium accommodations. In 2002, 6.8 million visitors graced the shores of New Zealand, and this number is

expected to increase. This jump in tourism will, in turn, increase the need for high-quality hotels and hospitality services. Several of the new boutique luxury hotels are U.S.-owned.

THE AMERICA'S CUP

February 2003 marked the 31st defense of the oldest prize in yachting, the America's Cup. The event drew eight international syndicates to earn the right to challenge the defending champions, Team New Zealand. To capitalize on this international event, the U.S. Commercial Service in New Zealand hosted a U.S. marine catalog event and fashion show and luncheon. The participants were well received by those attending the event. The fashion show resulted in additional sales for participating companies.

Despite the loss of the America's Cup to the Swiss, the international community has had the opportunity to see first-hand the numerous benefits of this market. New Zealand is emerging as an industry leader in super yacht design and construction. There is quality workmanship in all sectors available in New Zealand at a fraction of the cost of other locations.

ENVIRONMENTAL TECHNOLOGY

With the signing by New Zealand of the Kyoto Protocol in December 2002, the environmental sector has moved to the forefront of issues in New Zealand. The Environment 2010 Strategy prepared by the Ministry for the Environment identified nine key environmental areas on which New Zealand must focus to justify its claim as a "clean green" country. They are biodiversity, ozone, pests/weeds/diseases, climate change, pollution/wastes and hazardous substances, energy, land, fisheries and water. Inquiries from this sector have been steadily increasing.

For more information about doing business with New Zealand, see the latest *Country Commercial Guide* at www.usatrade.gov/newzealand,

or e-mail auckland.office.box@mail.doc.gov.

SO WHAT CAN WE DO TO HELP YOU?

Time and distance need not be deterrents to doing business in these friendly markets. The U.S. Commercial Service in Australia and New Zealand is ready and willing to help facilitate business cultivation and transactions in Australasia. When planning a trip "down under," Commercial Service staff can do the groundwork so that meetings are more effective through the Gold Key Service.

Failing a trip to Australasia, basic market research can be provided in 24 hours or less through the Express Service, free of charge. Meetings can also take place via video market briefs or by videoconference. Other programs that are offered are available at www.buyusa.gov/australia or www.buyusa.gov/newzealand.

In addition, under the new regional Paradise program, the Commercial Service staffs of Australia and New Zealand have teamed up with their counterparts in Singapore to ensure that one stop in the region is suitable for the three countries. These three countries have many similarities, such as transparency in the marketplace and government procurement, widespread use of the English language, and legal and business practices similar to those in the United States. In short, these three countries are excellent options for an initial entry for many small and medium-sized companies into the Asian region. ■

Upcoming Trade Events

May–December 2003

DATES	EVENT	LOCATION
May 15–17	Health Care Show This certified health care trade show has been held annually since 1996 and is exclusively for trade and professional visitors. It covers a broad range of products and services, including hospital equipment and supplies, electro-medical equipment, laboratory equipment, home care, and physiotherapy. It is the largest medical trade show in Southeast Asia and attracts exhibitors from around the world.	Kuala Lumpur, Malaysia
May 15–18	CeBIT Australia CeBIT Australia is one of Australia's premier trade events in the IT and telecommunications sector. It is a trade-only show and attracts good levels of attendees. In 2002, there were a number of international pavilions, including those representing the USA, Canada, China, and Germany. The post will be recruiting a product literature center (PLC) for inclusion in the U.S. pavilion at the show. The U.S. Commercial Service in Australia will represent U.S. companies at this PLC, and promote them to Australian importers and distributors in the sector.	Sydney, Australia
May 15–18	SecurityWorld 2003 SecurityWorld is an annual event comprised of local manufacturers and foreign suppliers in the security/safety industry. The exhibition includes security equipment, access control solutions, CCTV and surveillance, home security, building management, and technology related to the industry.	Seoul, South Korea
May 19–21	Hotel Show 2003 Hotel Show is an annual event. A trade-only attendance of over 3,500 targeted visitors from within the region visited last year. Most governments in the Middle East have identified tourism as a priority sector in their economic development and diversification strategies, giving rise to international chains wanting to own or manage properties within this region.	Dubai, United Arab Emirates
May 19–23	Electronic Americas Electronic Americas is the largest event of its kind in South America for electronic components, assembly, and production. Electronic components is the best prospect for U.S. exports to Brazil. Participation in an event of this magnitude is an ideal venue for small and medium-sized U.S. companies to gain exposure or to expand their presence not only in the Brazilian market but also in the surrounding region.	São Paulo, Brazil
May 22–25	Total Construction Materials and Equip. Fair This is the only major building products trade show in the Osaka-Kobe region. The show is held every other year and attracts more than 40,000 visitors. This fair will provide an excellent opportunity for U.S. building products companies to expand their business in Japan.	Osaka, Japan
June 13–16	Exhibition on Environmental Technologies (ENVEX) ENVEX is the premier environmental exhibition in South Korea. As the South Korean government has placed more emphasis on the environment, Korean companies are looking for the latest environmental technologies. ENVEX will display products from all environmental sectors.	Seoul, South Korea
June 15–22	Paris Air Show The U.S. Commerce Department's Office of Aerospace is organizing a product literature center at the 2003 Paris Air Show, the largest show in the world for the aerospace industry. The center will display product information featured the goods and services produced by U.S. aerospace companies. The last Paris Air Show highlighted the products and services of 74 U.S. companies.	Paris, France
June 18–20	Natural Products Asia 2003 The product mix includes traditional Chinese medicine herbs, nutritional products, functional food products, and organic products. Very few of the natural products available in the United States are available in China, Taiwan, Hong Kong, Singapore, and Japan, primarily because U.S. companies have not yet had the opportunity to introduce their products and to establish relationships with Asian distributors.	Hong Kong
June 18–20	ISA Control Mexico 2003 The American Products Literature Center (APLC) at ISA Control Mexico 2003 offers small and medium-sized firms an opportunity to have their literature showcased at Mexico's largest trade show for process control and industrial instrumentation. The APLC is a cost-effective way to find agents and distributors in Mexico. Mexico is one of the largest importers of U.S. industrial instruments. The United States accounts for 85 percent of Mexico's imports of process controls and instrumentation.	Mexico City, Mexico
June 19–20	APA Australian Book Fair The fair is Australia's premier book industry event, attracting some 12,000 attendees from throughout the Asia-Pacific region.	Sydney, Australia

HIGHLIGHTED EVENTS

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AEROSPACE TRADE MISSION

APRIL 28–MAY 7, 2003

AUSTRALIA AND NEW ZEALAND

The U.S. Commerce Department's Office of Aerospace will lead a trade mission this spring to Australia and New Zealand. The mission will include representatives from a variety of U.S. aerospace firms interested these fast-growing aerospace markets.

The mission's goals are to gain first-hand market information and to provide access to key government officials and potential business partners for U.S. aerospace firms interested in civil and military sectors.

New opportunities for U.S. firms are being opened by expansion of new low-cost carriers in Australia, as well as the potential for a new airport in Sydney. New Zealand offers solid opportunities for U.S. firms, as the government plans to build a new air traffic control system and expand its national aero-agribusinesses.

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AQUATECH FITMA 2003

JUNE 2–5, 2003

SÃO PAULO, BRAZIL

In recent years, the ups and downs of the Brazilian economy have been well publicized, but with the new government in place, major plans are being developed to invest heavily in utilities. The water industry is one of the key areas for this investment. Over 30 million people do not have quality water, and for each dollar not invested in environmental sanitation, four dollars in health investment is necessary. For these reasons, the outlook for this industry is now very positive. Aquatech Fitma has also grown over the last three events, helping to put key decision-makers in contact with companies that have enjoyed new contracts and relationships. This event offers great marketing and sales opportunities.

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A full listing of upcoming trade events
is available via <http://export.gov>.

DATES	EVENT	LOCATION
June 22–28	Manufacturing Trade Mission This week-long mission to three major manufacturing centers in Mexico is intended for U.S. exporters of a broad range of products and services for the manufacturing sector.	Monterrey, Mexico City, and Guadalajara, Mexico
July 15–18	Oil and Gas Malaysia 2003 Oil and Gas Malaysia 2003 will attract exhibitors from all over the world. This event is an excellent networking and meeting place for industry leaders, suppliers, and decision-makers in the petroleum industry.	Kuala Lumpur, Malaysia
August 2–5	ISPO International Trade Fair Each year at the ISPO Summer in Munich, the sports equipment and fashion industry sets the tone for the following summer season. Exhibitors from over 40 countries present products for both summer and non-seasonal sports.	Munich, Germany
August 11–19	Food Processing and Packaging Equipment Trade Mission This mission will target the U.S. food processing and packaging equipment industry. The focus of the mission will be to match U.S. companies with potential agents, distributors, representatives, and joint venture partners.	Vietnam; Thailand; and the Philippines
August 12–14	Security 2003 Security 2003 is the 17th Annual Conference and Exhibition of the Australian Security Industry Association. This important event attracts more than 4,000 visitors, including the Australian security industry's key decision makers, suppliers, and customers.	Sydney, Australia
August 23	Telemedicine Virtual Trade Mission The Colombian government program known as the Connectivity Agenda is establishing telecommunications infrastructure in remote rural areas and small towns. This infrastructure is expected to be in full operation by 2003, facilitating telemedicine services to be provided to these areas where inexpensive and fast health care services are in high demand. U.S. participants should be companies that provide telemedicine services.	Bogota, Colombia
September 6–9	Deco Contract Deco Contract, organized in conjunction with Decosit, was held for the first time in 2001. It is an international textile contract furnishing show.	Brussels, Belgium
September 9–12	AIMEX 2003 AIMEX is an international mining exhibition. AIMEX has been a major event in Australia since the 1970s and is recognized as one of the most important mining shows in the world. The show used to focus heavily on Australia. Australia is now considered to be a regional center of excellence in mining, and the show is being redefined with an emphasis on the Asia-Pacific region.	Sydney, Australia
September 9–12	Chinaplas 2003 Chinaplas was launched in 1983 as an international exhibition for the plastics and rubber industries in China. Held annually, it rotates among the cities of Beijing, Shanghai, and Guangzhou.	Beijing, China
September 15–19	Health Care Technologies Mission This matchmaker to Ireland and the United Kingdom will assist U.S. health care and medical companies, with a potential focus on the telehealth and biotechnology industries.	Ireland and the United Kingdom
October 5–7	Golf Europe The Office of Consumer Goods in conjunction with the U.S. Commercial Service in Munich, Germany, is sponsoring a U.S. product sample/literature center at Golf Europe. This promotion should help U.S. companies that are looking for distributors, joint venture partners, or new sales opportunities. Golf Europe is Europe's leading golf equipment trade show.	Munich, Germany
October 16–21	EquipAuto 2003 EquipAuto is the world's most comprehensive exhibition for the automotive industry, covering new technologies in original equipment, spare parts, customer service, and garage equipment. There will be two specialized U.S. pavilions for which the Commercial Service in France will provide support. EquipAuto will offer workshops, conferences, and seminars to bring together engineers, managers, buyers, and sellers.	Paris, France
December 7–11	USA Trade Week Russia This is a three day exhibition of American made products and services representing a wide variety of industry themes and applications. The exhibition will be preceeded by a two-day conference with parallel workshops featuring an A to Z approach to doing business in Russia, and, discussion of all aspects of trade between the two nations. It will be the only fair of its type for American firms interested in Russia. It will attract qualified business visitors from all parts of the Russian Federation.	Moscow, Russia

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AUTOMOTIVE TRADE MISSION**JUNE 1-6, 2003****PANAMA, COSTA RICA, AND GUATEMALA**

Costa Rica and Panama both rank the automotive parts and service equipment industry sector as the fourth best prospect for U.S. exports, and Guatemala ranks this as the top sector for U.S. exports. The mission will include stops in San Jose, Panama City, and Guatemala City. The goal of this mission is to gain first-hand market information and provide access to key government officials and potential business partners for new-to-market and new-to-export U.S. automotive parts and services companies.

Ruth Mayo

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ELECTRICAL POWER MISSION**JULY 20-25, 2003****VIETNAM AND THAILAND**

The U.S. Commerce Department will lead an electric power trade mission to Hanoi and Ho Chi Minh City, Vietnam, as well as Bangkok, Thailand. The mission will include representatives from U.S. electric power companies and equipment manufacturers interested in entering or expanding their presence in these countries.

Vietnam is undergoing major economic and social transformation. It is a nation of nearly 80 million people with a growing middle class. Demand for electrical power in Vietnam has been growing rapidly over the last several years and is expected to continue to grow at an annual rate of 14-15 percent.

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TOURISM INFRASTRUCTURE AND DEVELOPMENT EXHIBITION AND CONFERENCE**OCTOBER 17-20, 2003****ATHENS, GREECE**

The U.S. Commercial Service is organizing the 2003 Tourism Infrastructure and Development Exhibition and Conference as part of the Real Estate Exhibition and Conference in Athens, Greece. This event will introduce participating U.S. companies and industry association representatives to Greek business and government decision-makers. It will also enable all participants to identify and learn more about the business opportunities associated with the development, management, and implementation of tourism infrastructure projects in Greece. Heavy emphasis will be given to the organization of meetings between U.S. participants and key Greek government and private sector officials involved in tourism infrastructure projects.

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Teaching Export Success

Agricultural Trade, Step by Step

by the Public Affairs Division, Foreign Agricultural Service

U.S. Department of Agriculture

Pickle juice with lime may soon be sipped outside Texas, perhaps even in Morocco and the Middle East. Meanwhile, Canadians are munching meat kabobs and Vidalia onions from Georgia.

What is giving these products such great opportunities for international sales? The answer is the Export Readiness Training program, created through a partnership between the Foreign Agricultural Service (FAS) and the Southern United States Trade Association (SUSTA), a non-profit association that helps companies in 15

minorities and women, an opportunity to explore markets overseas and begin the transition from successful domestic company to world trading business. The initiative was funded by the FAS Emerging Markets Program, which focuses on building trade between the United States and nations that are moving through developmental stages to financial sophistication.

HOW THE PROGRAM BEGAN

The program started in 1999 with a mission to expand educational opportunity. The mission to serve small business owners meant going back to basics. It was important to get participating minority and female business owners confident that they could

a training program that boasts a 72-percent success rate—that's the proportion of businesses actually going on to participate in export programs or make foreign sales.

TRAINING FOR TRADE

The program provides a lot of hands-on training and advice. "The idea is to teach by doing," said Charles Boyanton, international trade manager with the Small Business Development Center at the University of Georgia.

"On the first day, we show them how to look up country reports on the FAS Web site and get information on-line from the U.S. Department of Commerce. Their assignment is to use

"On the first day, we show them how to look up country reports on the FAS Web site and get information on-line from the U.S. Department of Commerce."

—Charles Boyanton

Small Business Development Center, University of Georgia

states and in Puerto Rico export high-value food and agricultural products.

Export Readiness Training started out as a pilot project in Georgia, Mississippi, and Alabama. The program basically plants the seeds for export training that state and local groups can nurture and build upon. It is moving from state to state throughout the South. Currently, the program is helping companies in Texas and Florida go global.

The program was designed to give small businesses, particularly those of

export successfully. To instill that confidence, training was essential.

"What we needed was something to guide the absolute novice," said Christine Durbin, a marketing specialist with the Emerging Markets Program. "These companies needed guidance through the steps to making a working business plan for trade."

Durbin, James Ake (SUSTA executive director), and Donald van de Werken (director of the U.S. Export Assistance Center in New Orleans, part of the U.S. Department of Commerce) developed

the information they find to create a list of 10 countries that might work as markets for them," Boyanton said.

The next week, students learn about shipping requirements, tariffs, and labeling laws. "As they use that information to investigate their markets further, they may well find that some of their top 10 picks are unrealistic," explained Boyanton. "Their new homework assignment: narrow the list down to three."

TRAINING INSIGHTS

Boyanton said FAS agricultural

attachés from Venezuela and Mexico have been guest lecturers, explaining the services they provide, such as arranging for business representatives to meet qualified, reliable importers and obtaining translation help.

"We encourage small companies to consider Latin America," said Durbin. "Europe is very competitive and hard to break into, while some less developed countries can be just too high a risk for small firms."

However, nobody can know for sure where the graduates will end up selling products.

"At a European trade show, one program graduate was doing great business selling his dairy spread in England," Durbin said. "Another graduate is selling shaved ice flavorings in northern Africa and the Middle East."

MAKING THE GRADE

Each class has only 10 spaces, and competition for them is intense.

What are the criteria? The business must produce an agricultural commodity in the United States. The business needs to provide the Foreign Agricultural Service with a financial statement from a bank or an audit. It must also have sales of \$100,000 (if a producer) or \$500,000 (if a processor).

Companies must also have written materials about their products and have less than one year of experience in exporting, not including any passive experiences.

The company must be willing to commit at least one staff member to capturing export markets.

"The idea is to have graduates who advance to the next stage by using FAS services, particularly branded or generic marketing programs," said van de Werken.

A POWERFUL PARTNERSHIP

Durbin credits the University of Georgia and the Georgia Department of Agriculture for getting the program off to a great start.

"The Georgia Small Business Development Center and the Georgia Department of Agriculture did such an excellent job recruiting," she said. "All the companies chosen were viable. I don't know if we would have done as much in the other states as we have without that initial effort that has had such positive returns."

WHAT IS NEXT FOR THE PROGRAM?

"In Florida, Miami-Dade Community College will be doing the training," said Durbin. "The college has an export program affiliated with the state's agriculture department."

As the program expands and efficiency improves, training costs are declining, allowing the program to be offered to more people.

"Originally, it cost \$10,000 per trainee," Durbin said. "But in our last training, in Texas, we had enough left over to do a third session and train another 10 people," she said.

The need for the program will persist as prospective exporters continue to face tariffs, regulations, and other challenges of international trade.

"Because 80 percent of the growth in exports is predicted to be in emerging markets, this program is important to the future of U.S. agricultural exports," Durbin said. ■

This article first appeared in *AgExporter*, November 2002. For more information about this monthly magazine of the U.S. Department of Agriculture, visit www.fas.usda.gov/info/agexporter/agexport.html.

Resources and Contacts

For more information about **FAS export assistance**, visit www.fas.usda.gov/agexport/exporter.html. This site includes information on how to create export strategies, conduct market research, classify products for export, and much more. The Web site asks, "Are you ready to export?" Click on that link and complete an on-line questionnaire to determine if exporting is suitable for your company.

To learn more about Export Readiness Training and other assistance available through the **Emerging Markets Program**, contact Christine Durbin and other FAS marketing specialists:

Marketing Operations Staff
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Fax: (202) 720-9361
E-mail: emo@fas.usda.gov
Web site: www.fas.usda.gov/mos/em-markets/em-markets.html

Information is also available from the **SUSTA** staff:

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New Orleans, LA 70130
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Web site: www.susta.org

Financial Assistance for Exporters

SBA and Ex-Im Bank Programs

by Pru Balatero and Deborah Conrad

U.S. Small Business Administration

Securing export financing is difficult for most businesses but particularly for small companies. Several federal financial programs exist for U.S. exporters in support of their foreign sales. Programs are often specially designed for small and medium-sized firms. Assistance includes straightforward loans, working capital guarantees, and even risk insurance.

The Export-Import Bank of the United States (Ex-Im Bank) and the U.S. Small Business Administration (SBA) offer financial assistance to U.S. exporters. However, there are several other federal programs for exporters. For instance, the U.S. Department of Agriculture supports U.S. agricultural sales overseas through a variety of programs and services. Also, the Overseas Private Investment Corporation has a loan program for U.S. firms that invest in developing countries.

Where can an exporter find capital to fulfill foreign trade obligations?

The Ex-Im Bank has an Export Working Capital Guarantee (EWCG) program that provides U.S. exporters with working capital to fulfill their foreign trade transactions. The Ex-Im Bank also has a loan guarantee program that enables lenders to make loans to foreign buyers, with the loan

proceeds used to pay for specified products from U.S. firms.

How does an exporter protect foreign accounts receivable from governmental and commercial risk?

An exporter can protect his foreign accounts through the Ex-Im Bank's foreign credit insurance program. This allows U.S. firms to insure their foreign accounts to mitigate foreign financial risk. Firms using this program are able to offer overseas buyers credit terms rather than requiring upfront payment, thereby allowing sales to be more flexible.

How does the SBA help exporters?

The SBA has three loan guarantee programs for U.S. exporters that are used by lenders: the Export Working Capital Program, the International Trade Loan program, and Export *Express*.

What does the SBA Export Working Capital Program (EWCP) offer?

This program offers transactional financing to manufacture or purchase goods or services for export. In other words, it offers pre-export financing. The program can also finance transactions when they become accounts receivable (post-export financing). And, this program can support standby letters of credit used for bid or performance bonds. Indirect exporters,

such as suppliers to exporters of record, are also eligible.

What are the financing terms of the EWCP?

Loan fees and interest rates are negotiated between the borrower and lender. The EWCP offers a 90-percent guarantee to lenders for loans up to an SBA guarantee maximum of \$1 million. For loans maturing in 12 months or less, the SBA loan guarantee fee is one-quarter of 1 percent of the amount guaranteed. This is a one-time, upfront fee paid by the customer. For longer maturity periods, the guarantee fee is higher. The prime collateral is the assignment of proceeds to the lender of the financed export trade transactions. These proceeds (buyer payments) are used to self-liquidate the single deal loan or multiple deals using a revolving line of credit.

Is the SBA's EWCP the same as Ex-Im Bank's Export Working Capital Guarantee (EWCG) program?

The EWCP and the EWCG share many similarities. Like the EWCG, the SBA's EWCP is a 90-percent guarantee, single-sale or revolving line, can involve indirect exports, and can be used to support standby letters of credit. Unlike the Ex-Im Bank guarantee, the EWCP has no restrictions regarding military or U.S. content and is only bound by the Ex-Im Bank's country limitation schedule (CLS)



with regard to exclusion note number seven: "support legally prohibited." The EWCP also can be used for foreign purchase or contract financing.

What does this mean to the lender?

This means the lender can use the SBA's EWCP to enhance its Ex-Im Bank guaranteed line. If the lender is excluding a foreign military agency's procurement for inventory and receivables from the borrowing base, the lender could use the EWCP to include them. If the lender is excluding inventory or receivables from the borrowing base due to U.S. content, the lender could use the EWCP to include them. If the lender is excluding inventory or receivables from the borrowing base due to an Ex-Im Bank CLS requirement, the lender could use the EWCP to include them. If the lender's customer has a foreign purchase order or contract and not enough inventory or receivables under the borrowing base to support that draw, the lender could use the EWCP to finance the inventory and the receivable.

What does this mean to the lender's small business customer?

To the small business customer, it means more availability under the lines and fewer limits on company growth. Many lenders already use the SBA's EWCP for their business banking customers and then switch to Ex-Im Bank services when customers' business expands and internal financing

requirements are greater than the SBA's loan guarantee authority. Some lenders already use SBA's EWCP to augment their customers' Ex-Im Bank guaranteed lines.

What are the basic requirements?

The company must meet the SBA size standard, the company must be in business at least 12 months or have proven expertise, and the company's principals must be U.S. citizens or permanent legal residents.

Why would an exporter use the International Trade Loan (ITL) program?

The ITL is a fixed asset-financing program. It is used to acquire, construct, renovate, modernize, improve, or expand production facilities, equipment, or permanent working capital and supplies to be used in the United States that will be used to expand existing export markets or develop new export markets.

What are the ITL financing terms?

For loans up to \$150,000, SBA offers an 85-percent guarantee and for loans between \$150,000 and \$1 million a 75-percent guarantee. The maximum that SBA will guarantee to commercial lenders is \$1.25 million, in combined working capital and fixed asset loans.

Can you explain the SBA ExportExpress loan program?

The ExportExpress program is relatively

new. Loan proceeds may be used for most business purposes. For example, loans may provide transaction-specific financing for overseas orders, provide revolving lines of credit for export purposes, and finance export development activities (such as participation in a foreign trade show or the translation of product literature for use in foreign markets). These loans also support standby letters of credit used for bid or performance bonds. This loan program provides term loans to acquire, construct, renovate, modernize, improve, or expand productive facilities or equipment to be used in the United States in the production of goods or services involved in international trade.

What are the financing terms for ExportExpress?

ExportExpress offers an 85-percent loan guarantee to lenders for loans up to \$150,000, and a 75-percent guarantee for loans over \$150,000. The maximum loan amount is \$250,000. ExportExpress is the SBA's fastest-growing and perhaps most user-friendly program for lenders for their smaller loans (\$250,000 or less).

International trade is an exciting activity. Lenders and borrowers can benefit from participating in SBA and Ex-Im Bank loan programs. A successful exporter often boosts the company's reputation at home and gains a competitive edge from exposure to overseas competition. ■

Pru Balatero and Deborah Conrad are regional managers of international trade programs for the Small Business Administration. Pru works at the Seattle U.S. Export Assistance Center, and Deborah works at the Baltimore U.S. Export Assistance Center. For further information and direct assistance, get in touch with your local U.S. Export Assistance Center for the SBA international trade finance officer. For a list of these contacts, visit www.sba.gov/oit.

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